

# What FAAs Need to Know About 150% Direct Subsidized Loan Limits

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# **FIRST-TIME BORROWER AND CONSEQUENCES**

# First-Time Borrower

Applies only to first-time borrowers as of July 1, 2013:

Student who has no outstanding balance on a FFEL or Direct Loan when receiving a Direct Loan on or after July 1, 2013.

## Example A



## Example B



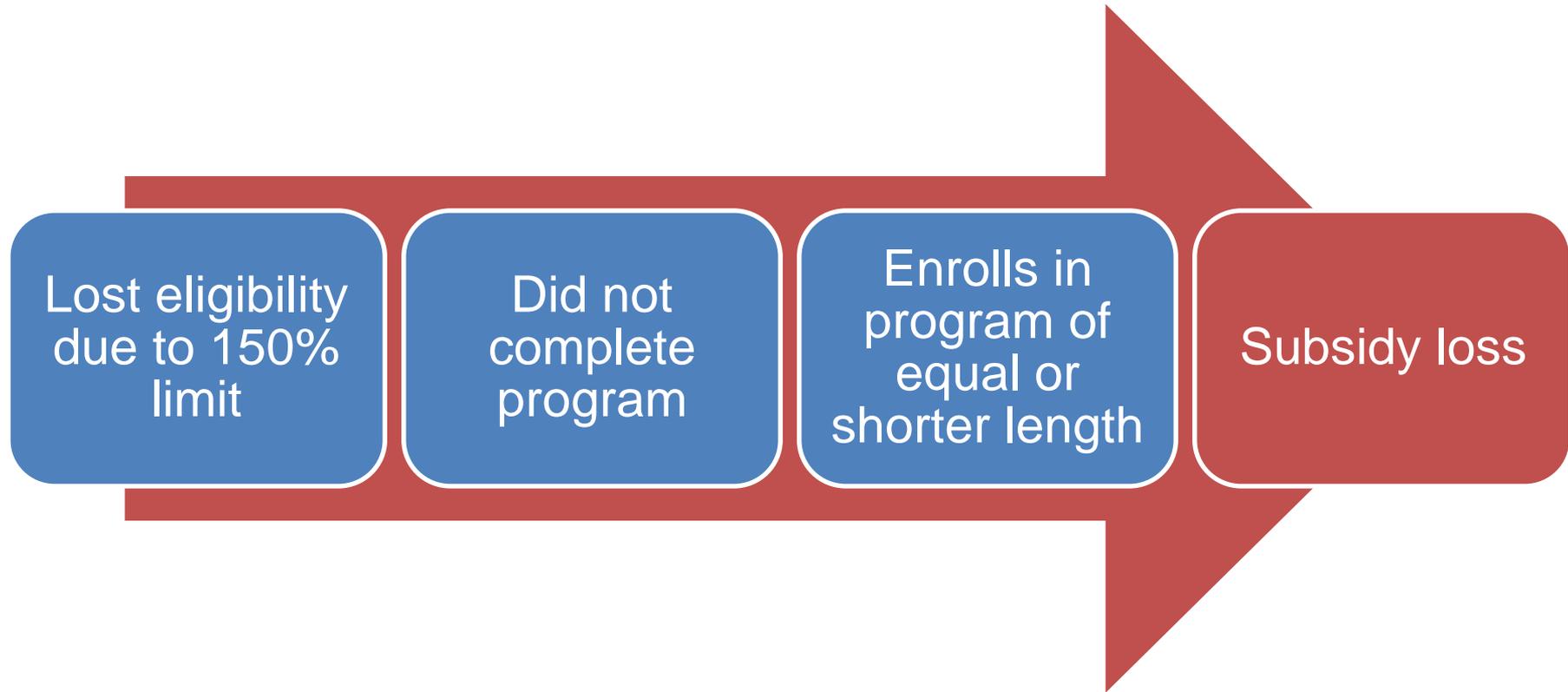
# Consequence: Eligibility Loss

Borrower loses eligibility for additional Direct Subsidized Loans when borrower has received Direct Subsidized Loans for 150% of their current academic program.

Generally measured in  
time, not dollars.

If eligibility is lost, borrower still eligible for Direct Unsubsidized Loans.

# Consequence: Interest Subsidy Loss



Based on enrollment, not borrowing, or requesting aid.

# LOSS OF ELIGIBILITY

# Determining When Eligibility is Lost



150% limit is met and further eligibility is lost when Remaining Eligibility Period is zero (or less).

# Maximum Eligibility Period



150% limit is met (eligibility is lost) when remaining eligibility period is zero (or less).

# Maximum Eligibility Period

- Maximum eligibility period is 150% of the published length of borrower's current or upcoming academic program
  - Varies by program
  - Multiply published length of program by 1.5
  - Two exceptions
    - Measured in academic years or portions
    - ED will calculate using school-reported information

# Converting Months/Weeks To Years

- If program's published length is in months or weeks, ED will convert to years (or portions of years):

$$\frac{\text{Days in Program}}{\text{Days in Title IV Academic Year}} = \text{Program Length}$$

- Month = 30 days
- Week = 7 days

# Exception 1: Bachelor's Completion

- Bachelor's degree-completion programs will have a Maximum Eligibility Period of six years
  - Implemented by reporting program length as four years
- Definition:
  - Only admits students who have completed
    - Associate degree or
    - Two years of prior undergraduate coursework

# Exception 2: Special Admission Associate

- Special admission associate degree programs will have a Maximum Eligibility Period of six years
  - Implemented by reporting program length as four years
- Definition:
  - Only admits students who have completed
    - Associate degree or
    - Two years of prior undergraduate coursework
  - Admits students on a competitive basis (i.e., no open enrollment)
  - Prepares students for occupation requiring licensure from state
- Example: Nursing program

# Subsidized Usage Period



150% limit is met (eligibility is lost) when remaining eligibility period is zero (or less).

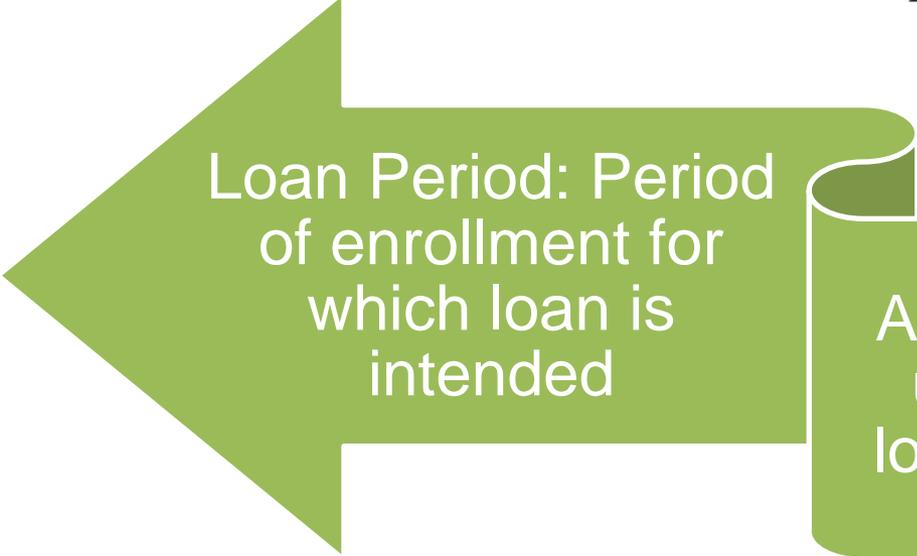
# Subsidized Usage Period

*A Subsidized Usage Period is the period of time for which a borrower receives a Direct Subsidized Loan.*

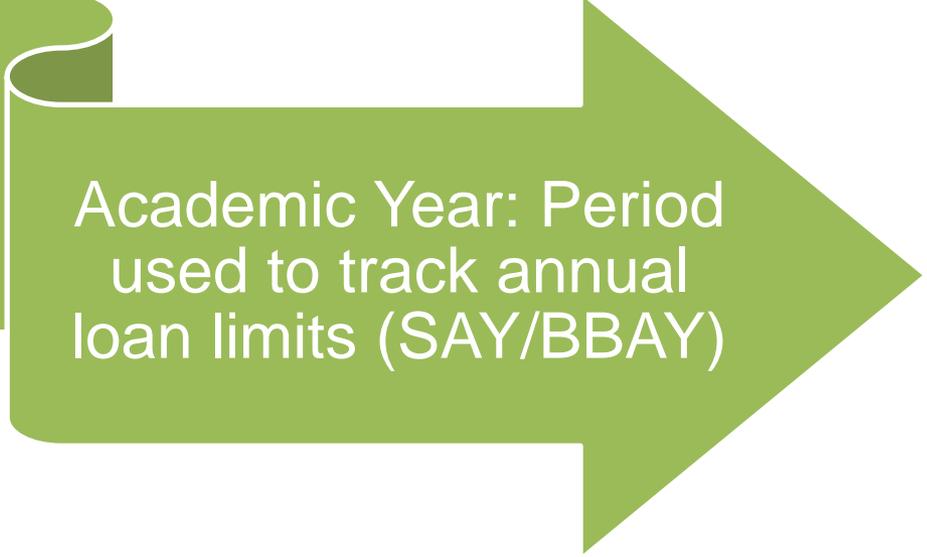
- Calculated loan-by-loan
- Measured in academic years or portions
- Rounded up/down to nearest tenth of a year
- Includes only periods when Direct Subsidized Loan received
- ED will calculate using school-reported information
- Two exceptions

# Calculating Subsidized Usage Period

$$\textit{Subsidized Usage Period} = \frac{\textit{Days in Loan Period}}{\textit{Days in Academic Year}}$$



Loan Period: Period of enrollment for which loan is intended



Academic Year: Period used to track annual loan limits (SAY/BBAY)

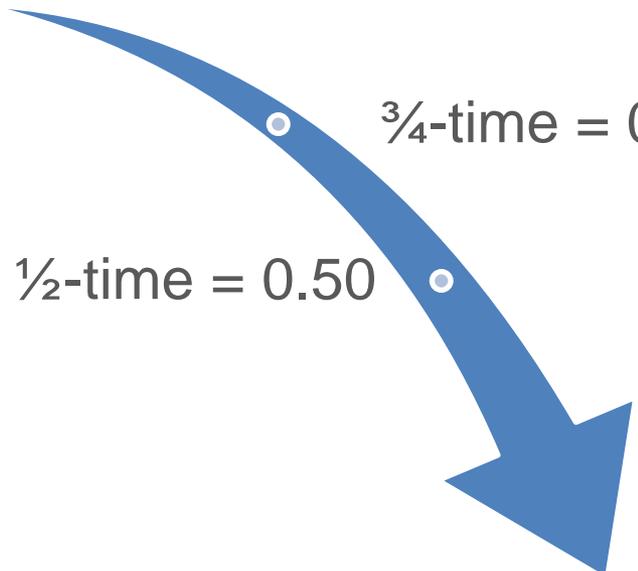
# Exception 1: Enrollment Status

- Calculated subsidized usage period is prorated by enrollment status
- Proration occurs before rounding

Full-time =  
1.00

$\frac{3}{4}$ -time = 0.75

$\frac{1}{2}$ -time = 0.50



Prorate Subsidized  
Usage Period based  
on enrollment status.

# Exception 2: Annual Loan Limit

Only circumstance where dollars are considered is when a student receives a Direct Subsidized Loan in the amount of the annual loan limit.



*Can only occur for standard-term programs or for non-standard-term programs that are substantially equal and are each at least nine weeks in length.*

# Determining When Limit Is Met



150% limit is met and further eligibility is lost when Remaining Eligibility Period is zero (or less).

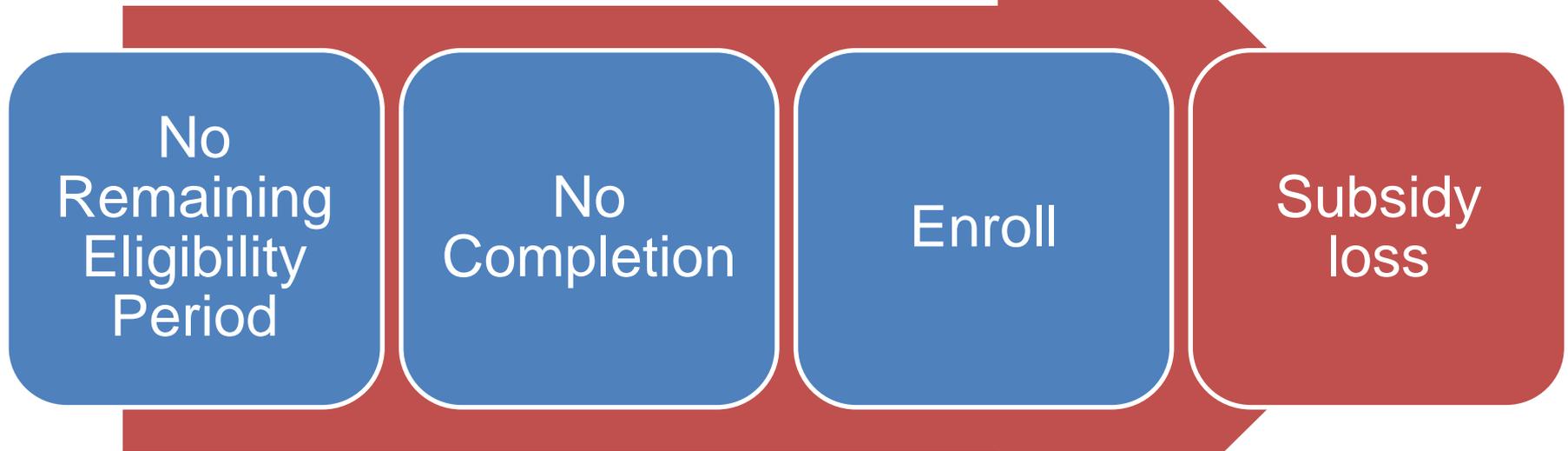
# Remaining Eligibility Period

*How much eligibility a borrower has left under the 150% limit.*

- Accounts for Direct Subsidized Loans received for all enrollment in all programs (except teacher certification programs)
- Eligibility lost when remaining eligibility is zero or less
- ED will calculate using school-reported information

# **LOSS OF INTEREST SUBSIDY**

# Loss of Interest Subsidy



*Subsidy loss is effective on the date of the triggering enrollment.*

# Enrollment Types & Subsidy

1

Student lost  
eligibility

Enrolled at least  
 $\frac{1}{2}$  time in same  
undergraduate  
program

2

Student lost  
eligibility

Enrolled at least  
 $\frac{1}{2}$  time in an  
undergraduate  
program of equal  
or lesser length

3

Student had  
remaining  
eligibility

Student enrolled at  
least  $\frac{1}{2}$  time in  
shorter  
undergraduate  
program where  
usage  $\geq$  maximum

# Enrollment Types: No Subsidy Loss

- Enrollment in a graduate or professional program
- Enrollment in preparatory coursework necessary for enrollment in a graduate or professional program
- Enrollment in a teacher certification program where school does not award an academic credential

# Periods of Interest Subsidy

Borrower with interest subsidy:



Borrower who lost interest subsidy:



Subsidized

Unsubsidized

# Which interest is the borrower's?



*Subsidy loss is not retroactive to the date of disbursement or from the date of the loss of eligibility. Loss of subsidy is from the date of the enrollment that caused the loss of subsidy.*

# **SPECIAL PROVISIONS**

# Preparatory Coursework

## For Enrollment in an Undergraduate Program

Maximum Eligibility Period is 150% of program for which coursework is preparing for.

Subsidized Usage Periods count against maximum eligibility.

Enrolling could result in loss of interest subsidy.

## For Enrollment in a Grad/Professional Program

Maximum Eligibility Period is 150% of program for which borrower most recently received Direct Subsidized Loan.

Subsidized Usage Periods count against maximum eligibility.

NOT possible to lose interest subsidy by enrolling.

# Teacher Certification Programs

- Programs that do not lead to a degree/certificate at institution, but lead to State credential that is required for teaching
- Subsidized Usage Periods from non-teacher certification programs do not count against maximum eligibility period for teacher certification programs
- Subsidized Usage Periods from teacher certification programs do not count against maximum eligibility period for other programs

# Teacher Certification Programs

- Borrower cannot lose interest subsidy by enrolling
  - Loans received for other undergraduate enrollment do not lose subsidy upon enrollment in teacher certification program
  - Loans received for teacher certification program can never lose subsidy, even upon enrollment in regular undergraduate program

# EXAMPLE 1

# Example 1: Program Characteristics

Program uses semesters and credit hours

Program has a published length of 2 years

Program has no postsecondary-level prerequisites

Program leads to an associate degree

Program uses an SAY to track annual loan limits

Summer is not a required term at the school

Summer is a trailer to the SAY

Fall 2014 term dates are: 8/24/2015 -12/18/2015

Spring 2015 term dates are: 1/4/2016 - 5/7/2016

Summer 2015 term dates are: 5/10/2016 - 8/20/2016

# Example 1: Mona Characteristics

Mona has an EFC of 0

Mona has a COA of \$10,000

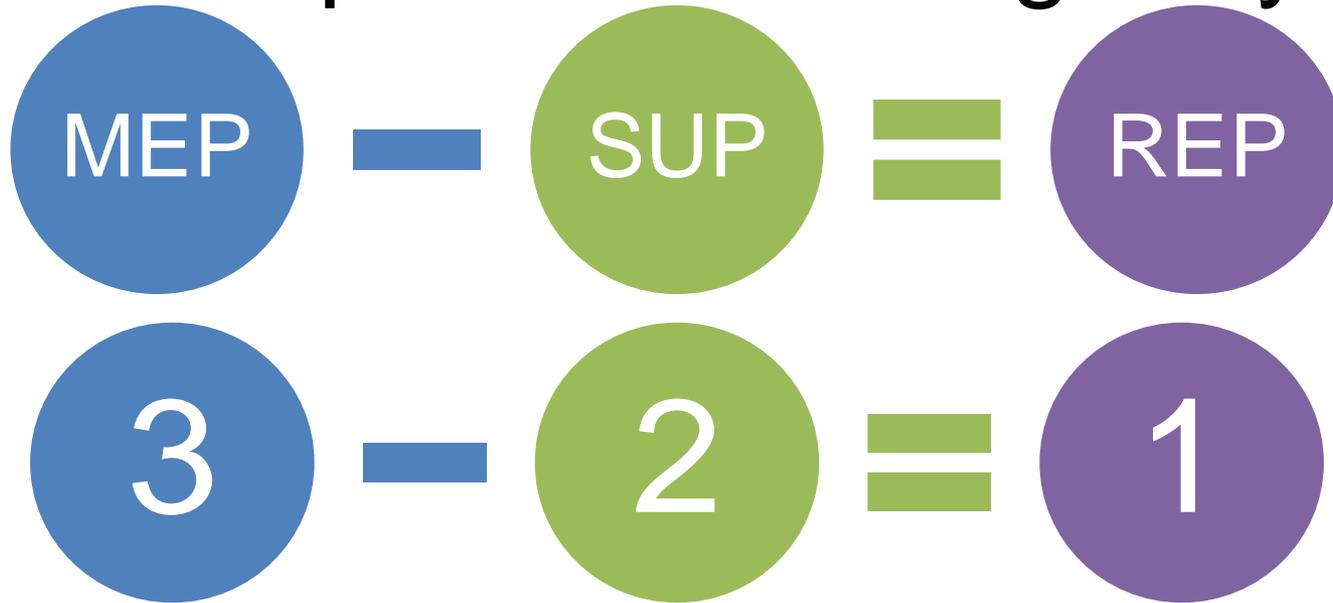
Mona previously completed 2 years of 4-year program; transfers in 1 year

Mona has a “subsidized loan eligibility used” on ISIR of 2 years

Mona is enrolling for fall and spring

Mona enrolls full time

## Example 1: Initial Eligibility



150% limit is met and further eligibility is lost when Remaining Eligibility Period is zero (or less).

# Example 1: Can you award?

- Can you properly originate a Direct Subsidized Loan with characteristics that create a Subsidized Usage Period that is equal to or less than the student's Remaining Eligibility Period?
- If Remaining Eligibility Period is greater than or equal to 1, the answer is always "yes".

# Example 1: Calculate the Usage

- Step 1: Divide Loan Period by Academic Year
- Step 2: Apply Annual Loan Limit Exception
- Step 3: Apply Enrollment Status Exception

# Example 1: Calculate the Usage

## Step 1: Divide Loan Period by Academic Year

- Loan period: 8/24/2015 – 5/7/2016 = 257 days
- Academic year: 8/24/2015 – 5/7/2016 = 257 days

$$SUP = \frac{LP}{AY} = \frac{257 \text{ days}}{257 \text{ days}} = 1 \text{ year}$$

# Example 1: Calculate the Usage

## Step 2: Apply Annual Loan Limit Exception

- Loan period: 8/24/2015 – 5/7/2016 = 257 days
- Academic year: 8/24/2015 – 5/7/2016 = 257 days
- Grade level: 2<sup>nd</sup> year
- Loan amount: \$4,500

Borrow full  
annual  
loan limit



LP/AY = 1



Subsidized  
Usage  
Period =  
Step 1

# Example 1: Calculate the Usage

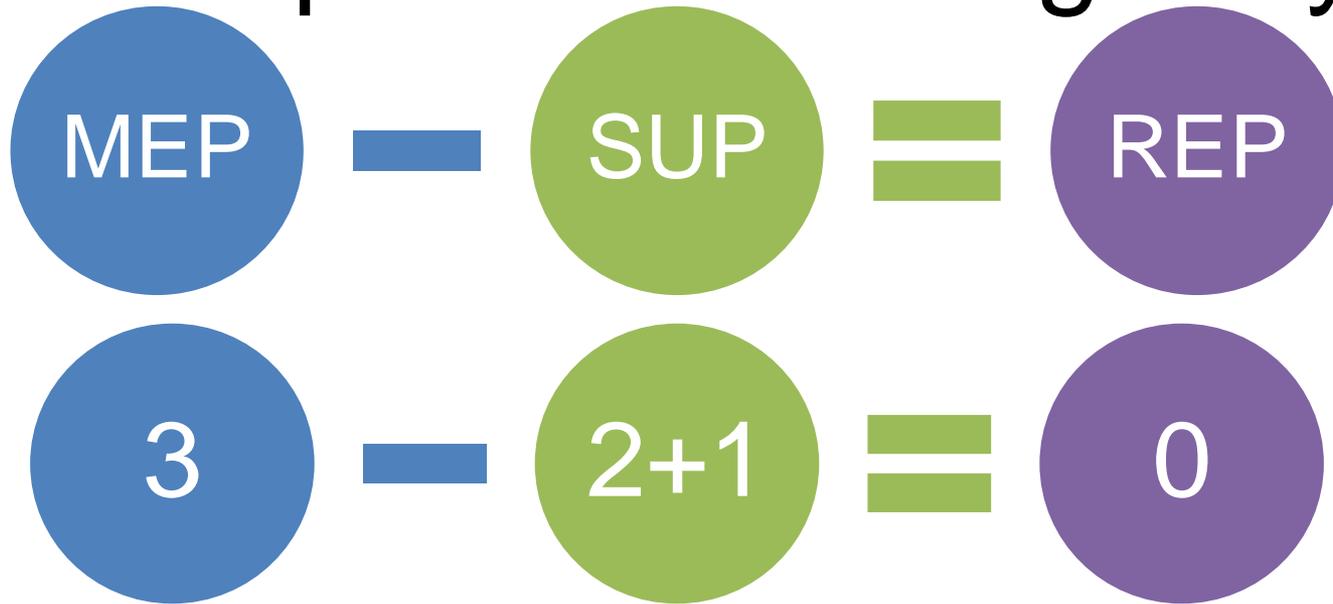
## Step 3: Apply Enrollment Status Exception

- Loan period: 8/24/2015 – 5/7/2016 = 257 days
- Academic year: 8/24/2015 – 5/7/2016 = 257 days
- Enrollment status: full time for both semesters
- Payment period 1 start: 8/24/2015
- Payment period 2 start: 1/4/2015
- Days in LP attributable to PP1 = 133
- Days in LP attributable to PP2 = 124

$$\text{SUP} = \left[ \left( \frac{133}{257} \right) \times 1 \right] + \left[ \left( \frac{124}{257} \right) \times 1 \right]$$

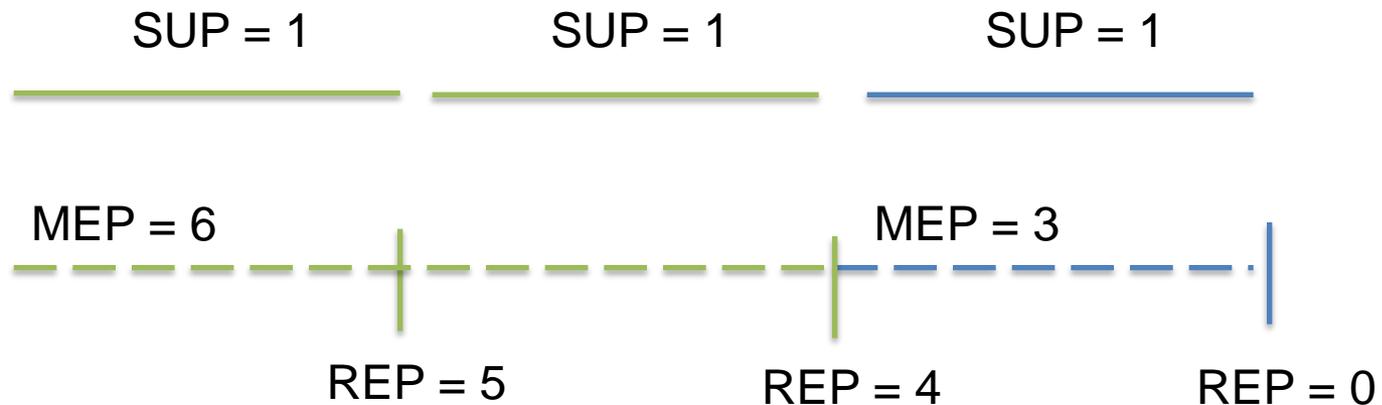
$$\text{SUP} = [0.5175] + [0.4825] = 1$$

# Example 1: Final Eligibility



150% limit is met and further eligibility is lost when Remaining Eligibility Period is zero (or less).

# Example 1: Subsidy Status



- SUP is transferred from COD to NSLDS
- MEP is calculated by NSLDS from program length information reported by schools
- REP is calculated by NSLDS by subtracting total SUP from MEP

# Example 2: Mona Drops Term

Now, Mona drops the fall term early enough in the term that all loan funds are returned. She says she will re-enroll three-quarter-time in the spring. School takes following action:

- Changes loan period to cover only the second term
- Reduces loan amount by half
- Inactivates disbursement for fall
- Changes enrollment status of spring term disbursement to three-quarter-time

# Example 2: Calculate the Usage

- Step 1: Divide Loan Period by Academic Year
- Step 2: Apply Annual Loan Limit Exception
- Step 3: Apply Enrollment Status Exception

## Example 2: Calculate the Usage

### Step 1: Divide Loan Period by Academic Year

- Loan period: 1/4/2016 – 5/7/2016 = 124 days
- Academic year: 8/24/2015 – 5/7/2016 = 257 days

$$SUP = \frac{LP}{AY} = \frac{124 \text{ days}}{257 \text{ days}} = 0.4824 \text{ years}$$

# Example 2: Calculate the Usage

## Step 2: Apply Annual Loan Limit Exception

- Loan period: 1/4/2016 – 5/7/2016 = 124 days
- Academic year: 8/24/2015 – 5/7/2016 = 257 days
- Grade level: 2<sup>nd</sup> year
- Loan amount: \$2,250

Did not  
borrow  
annual  
loan limit



$LP / AY < 1$



Subsidized  
Usage  
Period =  
Step 1

# Example 2: Calculate the Usage

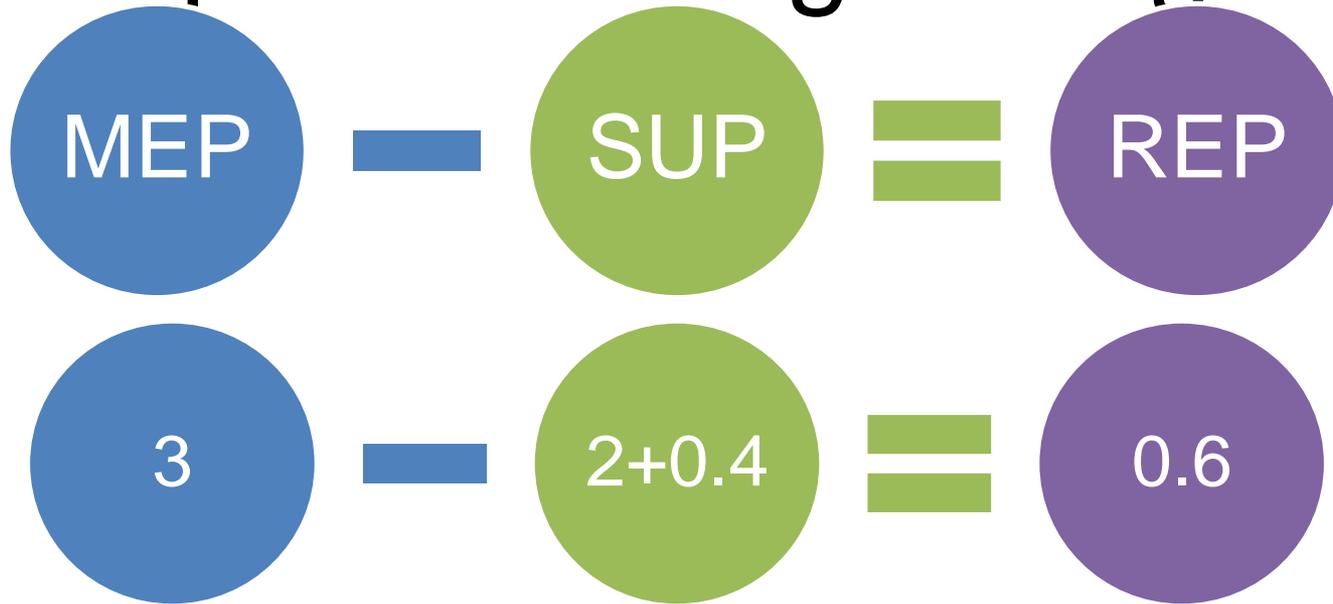
## Step 3: Apply Enrollment Status Exception

- Loan period: 1/4/2016 – 5/7/2016 = 124 days
- Academic year: 8/24/2015 – 5/7/2016 = 257 days
- Enrollment status: three-quarter-time for one semester
- Payment period 1 start: 1/4/2016
- Days in LP attributable to PP1 = 124 days

$$SUP = \left[ \left( \frac{124 \text{ days}}{257 \text{ days}} \right) \times 0.75 \right]$$

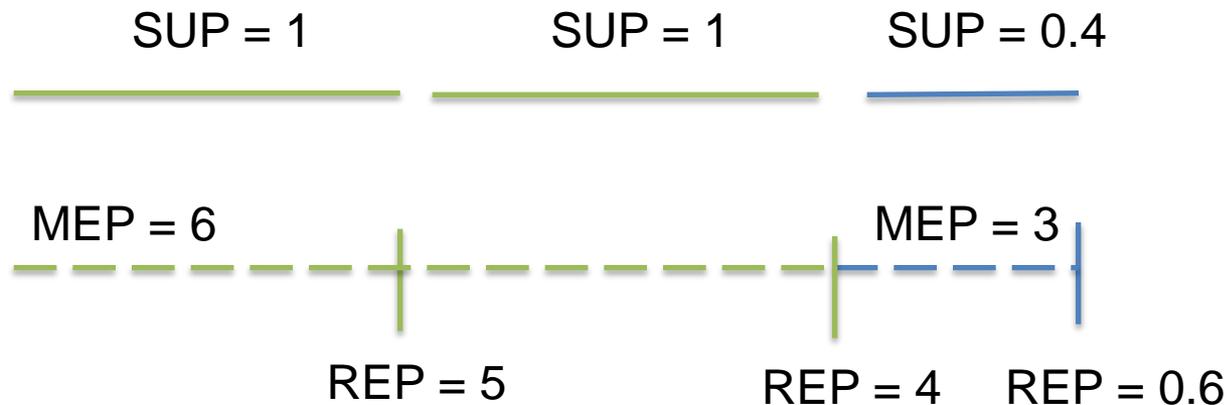
$$SUP = [0.3618 \text{ years}] \xrightarrow{\text{Round}} 0.4 \text{ years}$$

# Example 2: Changed Eligibility



150% limit is met and further eligibility is lost when Remaining Eligibility Period is zero (or less).

# Example 2: Subsidy Status



- SUP is transferred from COD to NSLDS
- MEP is calculated by NSLDS from program length information reported by schools
- REP is calculated by NSLDS by subtracting total SUP from MEP

# Example 3: Program Change

Mona re-enrolled in the spring term, completed it, but moved to another school without completing AA program.

Program does not use terms but uses clock-hours

Program has a published length of 2 years

Program has no postsecondary-level prerequisites

Program leads to an undergraduate certificate

Program uses a BBAY to track annual loan limits

Title IV Academic Year has 26 weeks of instruction and 900 clock-hours

Program has 60 weeks of instruction and 2000 clock-hours

# Example 3: Mona Characteristics

Mona still has an EFC of 0

Mona has a COA of \$10,000

Mona transfers-in 500 clock-hours of work

Mona has a “subsidized loan eligibility used” on ISIR of 2.4 years

Mona is enrolling in remaining 1500 clock-hours of program

Mona starts the program on 5/15/2014

Mona is scheduled to complete 18 clock-hours per week

# Example 3: Calculate the Usage

- Step 1: Divide Loan Period by Academic Year
- Step 2: Apply Annual Loan Limit Exception
- Step 3: Apply Enrollment Status Exception

# Example 3: Calculate the Usage

## Step 1: Divide Loan Period by Academic Year

- Loan period: period of time it *will* take student to complete 1 AY of coursework
  - Minimum loan period for clock-hour program is lesser of the:
    - Length of the program
    - Remaining portion of the program
    - 1 academic year
- Academic year: period of time it *will* take Mona to complete 900 clock-hours or 26 weeks of instructional time, whichever is later

# Example 3: Calculate the Usage

## Step 1: Divide Loan Period by Academic Year

- Loan period: period of time it *will* take student to complete 1 AY of coursework
- Academic year: period of time it *will* take Mona to complete 900 clock-hours or 26 weeks of instructional time, whichever is later
  - At pace of 18 hours per week, it would take Mona 50 weeks to complete 900 clock-hours of coursework
  - Because 50 weeks is greater than 26 weeks, 50 weeks is the end date of the academic year
  - 50 weeks from 5/15/2016 is 4/30/2017
  - Academic year: 5/15/2016 – 4/30/2017

$$SUP = \frac{LP}{AY} = \frac{350 \text{ days}}{350 \text{ days}} = 1.0 \text{ year}$$

# Example 3: Calculate the Usage

## Step 2: Apply Annual Loan Limit Exception

- Loan period: 5/15/2016 – 4/30/2017 = 350 days
- Academic year: 5/15/2016 – 4/30/2017 = 350 days
- Grade level: 1<sup>st</sup> year
- Loan amount: \$3,500

Borrowed  
annual  
loan limit



LP/AY = 1



Subsidized  
Usage  
Period =  
Step 1

# Example 3: Calculate the Usage

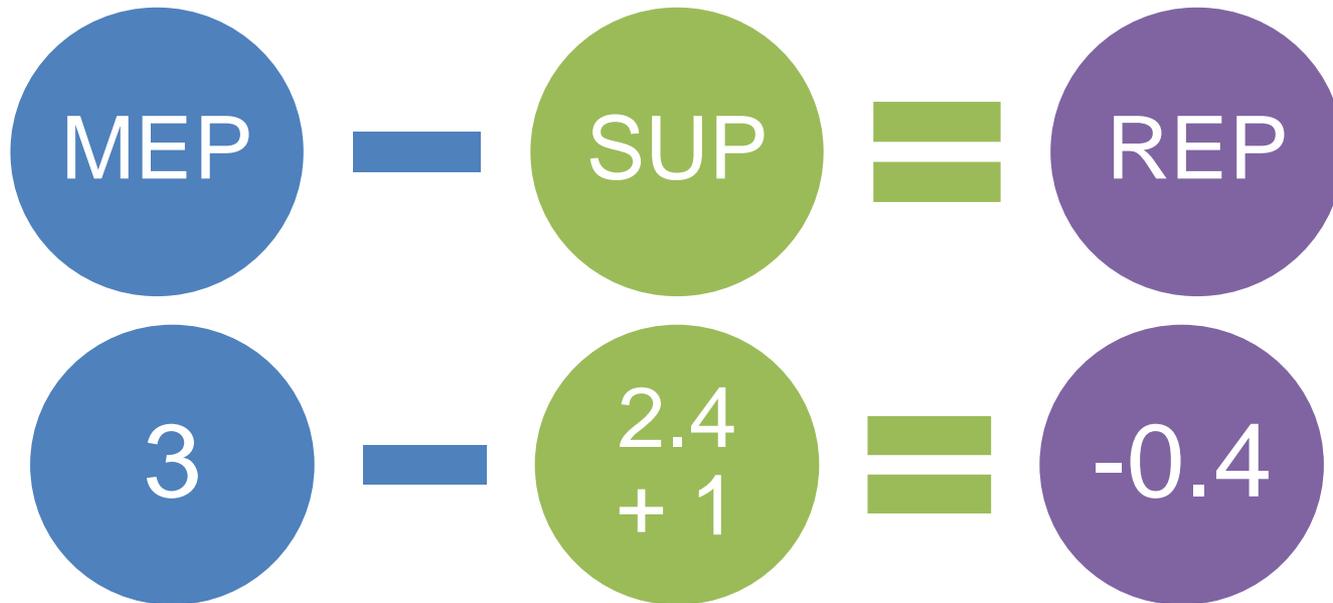
## Step 3: Apply Enrollment Status Exception

- Loan period: 5/15/2016 – 4/30/2017 = 350 days
- Academic year: 5/15/2016 – 4/30/2017 = 350 days
- Enrollment status: non-term, clock-hour programs always full-time
- Payment period 1 start: 5/15/2016
- Payment period 2 start: 11/6/2016
- Days in LP attributable to PP1 = 175 days
- Days in LP attributable to PP2 = 175 days

$$SUP = \left[ \left( \frac{175 \text{ days}}{350 \text{ days}} \right) \times 1 \right] + \left[ \left( \frac{175 \text{ days}}{350 \text{ days}} \right) \times 1 \right]$$

$$SUP = [0.5 \text{ years}] + [0.5 \text{ years}] = 1 \text{ year}$$

# Example 3: Post-Packaging



150% limit is met and further eligibility is lost when Remaining Eligibility Period is zero (or less).

# Example 3: REP is Negative

- Can you properly originate a Direct Subsidized Loan with characteristics that create a Subsidized Usage Period that is equal to or less than the student's Remaining Eligibility Period?
- Here, resulting loan creates a Remaining Eligibility Period that is negative. Mona cannot receive the loan.
- Attempt to repackage the student such that the Remaining Eligibility Period is 0 or greater.

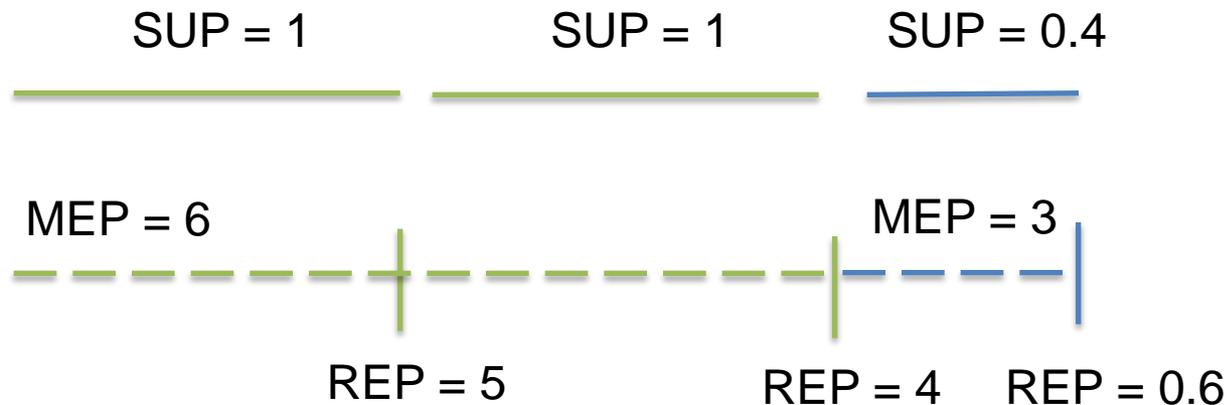
# Example 3: Repackaging

- When repackaging a student because of the 150% limit, schools can try the following:
  - Originating a loan for a shorter loan period
    - Won't work for Mona, because she is in a clock-hour program for which her minimum loan period is 1 academic year
  - If the annual loan limit exception was triggered by original loan, reducing the loan amount
    - Won't work for Mona, because the annual loan limit exception was not triggered
  - If the student is actually enrolling less than full-time in a program for which a part-time enrollment status is recognized for financial aid purposes, re-apply the part-time enrollment exception
    - Won't work for Mona, because students in clock-hour programs are, for financial aid purposes, always considered full-time
  - Any combination of the above

# Example 3: Final Thoughts

- Mona cannot receive any Direct Subsidized Loan *for her first year.*
- Technically, in the second AY, Mona regains eligibility, because:
  - She only needed to complete 1500 clock-hours of the program
  - After the first AY, she only has 500 clock-hours remaining to complete the program
  - Because remaining portion of program is less than 1 AY, school can originate loan to Mona for period of time it will take her to complete 500 clock-hours.

# Example 3: Subsidy Status



- SUP is transferred from COD to NSLDS
- MEP is calculated by NSLDS from program length information reported by schools
- REP is calculated by NSLDS by subtracting total SUP from MEP

# Example 3: Year 2 Usage

- Step 1: Divide Loan Period by Academic Year
- Step 2: Apply Annual Loan Limit Exception
- Step 3: Apply Enrollment Status Exception

# Example 3: Calculate the Usage

## Step 1: Divide Loan Period by Academic Year

- Loan period: period of time it *will* take student to complete 500 clock-hours
  - Minimum loan period for clock-hour program is lesser of the:
    - Length of the program
    - Remaining portion of the program
    - 1 academic year
- Academic year: period of time it *would* take Mona to complete 900 clock-hours or 26 weeks of instructional time, whichever is later

# Example 3: Calculate the Usage

## Step 1: Divide Loan Period by Academic Year

- Loan period: period of time it *will* take student to complete 350 clock-hours
  - At pace of 18 hours per week, it would take Mona about 28 weeks to complete 350 clock-hours of coursework
  - Starting at 5/1/2017, 28 weeks from start is 11/13/2017
- Academic year: period of time it *will* take Mona to complete 900 clock-hours or 26 weeks of instructional time, whichever is later
  - At pace of 18 hours per week, it would take Mona 50 weeks to complete 900 clock-hours of coursework
  - Because 50 weeks is greater than 26 weeks, 50 weeks is the end date of the academic year
  - 50 weeks from 5/1/2017 is 4/16/2018
  - Academic year: 5/1/2017 – 4/16/2018

$$SUP = \frac{LP}{AY} = \frac{196 \text{ days}}{350 \text{ days}} = 0.56 \text{ years}$$

# Example 3: Calculate the Usage

## Step 2: Apply Annual Loan Limit Exception

- Loan period: 5/1/2017 – 11/13/2017 = 196 days
- Academic year: 5/1/2017 – 4/16/2018 = 350 days
- Grade level: 2<sup>nd</sup> year
- Loan amount: \$2,500

Borrowed  
less than  
annual  
loan limit



$LP / AY < 1$



Subsidized  
Usage  
Period =  
Step 1

# Example 3: Calculate the Usage

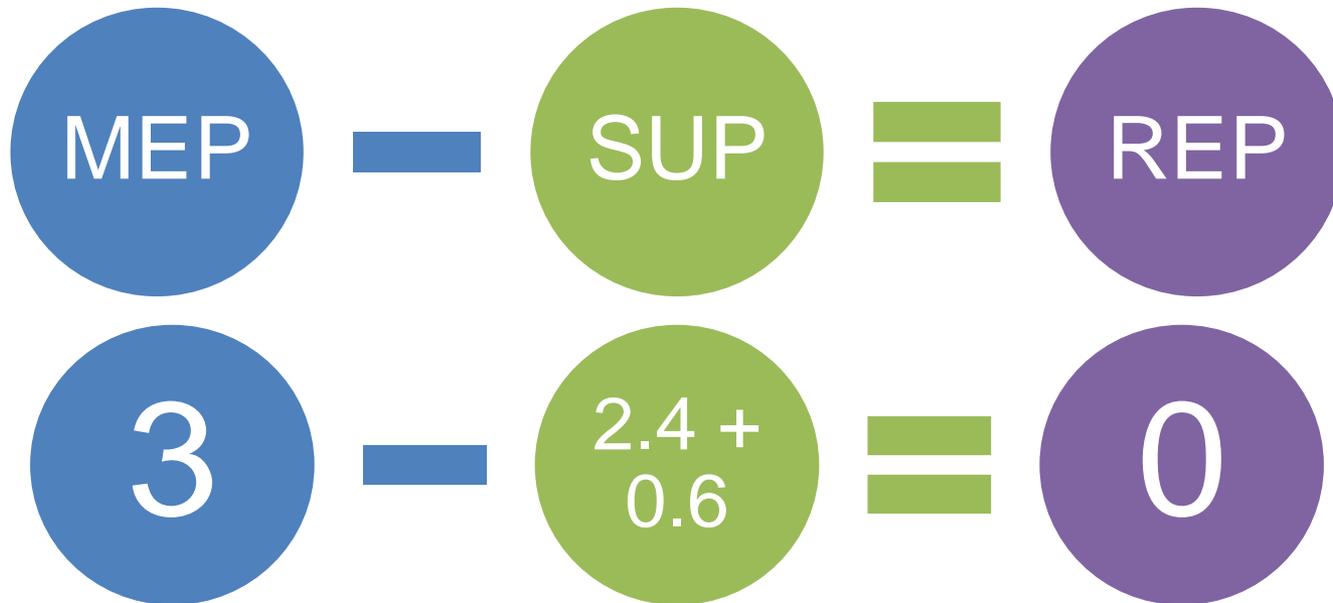
## Step 3: Apply Enrollment Status Exception

- Loan period: 5/1/2017 – 11/13/2017 = 196 days
- Academic year: 5/1/2017 – 4/16/2018 = 350 days
- Enrollment status: non-term, clock-hour programs always full-time
- Payment period 1 start: 5/1/2017
- Payment period 2 start: 8/7/2017
- Days in LP attributable to PP1 = 98 days
- Days in LP attributable to PP2 = 98 days

$$SUP = \left[ \left( \frac{98 \text{ days}}{350 \text{ days}} \right) \times 1 \right] + \left[ \left( \frac{98 \text{ days}}{350 \text{ days}} \right) \times 1 \right]$$

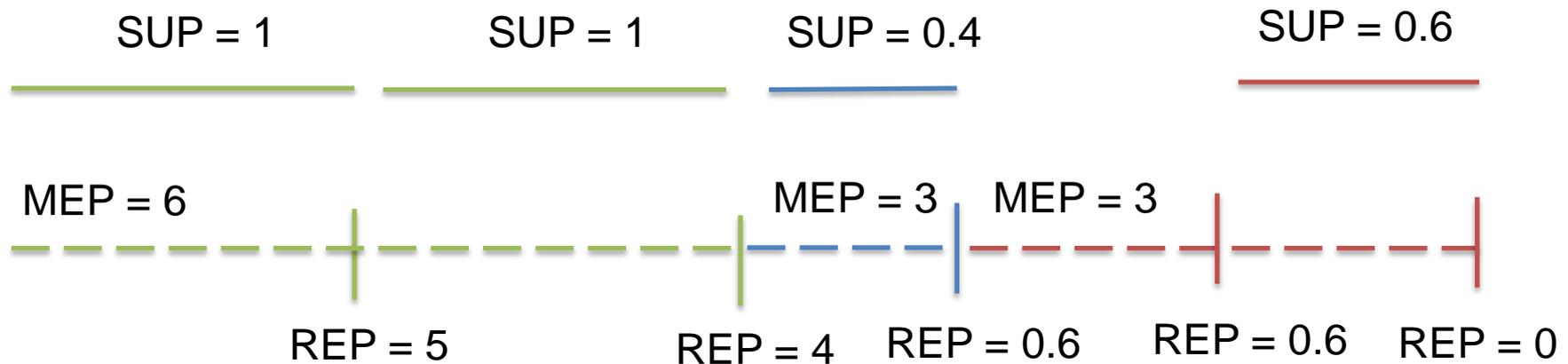
$$\begin{aligned} SUP &= [0.28 \text{ years}] + [0.28 \text{ years}] \\ &= 0.56 \text{ years} \xrightarrow{\text{Round}} 0.6 \text{ years} \end{aligned}$$

# Example 3: Post-Packaging



150% limit is met and further eligibility is lost when Remaining Eligibility Period is zero (or less).

# Example 3: Subsidy Status



- SUP is transferred from COD to NSLDS
- MEP is calculated by NSLDS from program length information reported by schools
- REP is calculated by NSLDS by subtracting total SUP from MEP

# QUESTIONS?



E-mail: [150Percent-Questions@ed.gov](mailto:150Percent-Questions@ed.gov)

Subject: Include organizational affiliation